

Press Release

Parveen Travels Private Limited

December 04, 2019



Rating Downgraded

Total Bank Facilities Rated*	Rs.100.00 Cr.
Long Term Rating	ACUITE BB/ Stable (Downgraded from ACUITE BBB-/Stable)

* Refer Annexure for details

Rating Rationale

Acuité has downgraded the long-term rating to '**ACUITE BB**' (**read as ACUITE double B**) from '**ACUITE BBB-**' (**read as ACUITE triple B minus**) to the Rs.100.00 crore bank facilities of PARVEEN TRAVELS PRIVATE LIMITED (PTPL). The outlook is '**Stable**'.

Reason for Downgrade

The rating downgrade is based on the stretch in the liquidity profile marked by stretch in the receivable cycle at about three months with a regular credit period of 45 to 60 days. This arises from the debtor stretch in the employee commute segment which caters to approximately 55 percent to the turnover. Moreover, this has also led to full utilization of its bank lines through last six months ending October 2019. Further, the liquidity is also impacted by higher than expected capital expenditure y-o-y from FY2017 to FY2019. Any further deterioration in working capital on account non-realization of legacy debtors leading to further stretch in liquidity will be a key rating sensitivity factor.

PTPL is the flagship company of the Allah Baksh (AB) group, established as a proprietorship firm in 1980 and converted to private limited company in 2000. It is engaged in providing transportation services such as employee commutation, intercity passenger transportation, tours and travels. The company is running a fleet of 1530 vehicles in South India. Further, the company has petrol bunk with an installed capacity of 1,50,000 litres per day. It is also an authorized dealer of Indian Oil Corporation. The company generates 75 percent of revenues from transportation division, and remaining from trading in oil division.

Analytical Approach

Acuité has taken a standalone view of the business and financial risk profile of PTPL to arrive at the rating.

Key Rating Drivers

Strengths

- **Established track of operations and experienced management**

The business was started in 1980 by Mr. A Afzal and family who possess more than three decades of experience in the transportation services, tours & travels, hospitality, restaurants, automobile dealership, among others. Long vintage of operations supported in diversifying the revenue profile and integration of operations. PTPL derives revenues from corporates for employee commute, intercity passenger transportation, tours and travels. Further, to maximize the efficiencies and profitability, it also has dealership of petroleum products. The company operates a fleet of 1385 buses and 150 cars in South India. PTPL has reputed clientele such as Tata Consultancy Services Limited, Hyundai Motors India Limited, Eicher Motors Limited (Royal Enfield Unit), among others. The promoter's experience in the business and affluence among corporate customers has helped the revenues to grow at a CAGR of 10.78 percent over the past three years through FY2017-2019. The revenue profile is supported by regular capital expenditure on vehicles. Acuité believes that PTPL's business risk profile is expected to improve further supported by increasing size of fleet and customer addition.

Weaknesses

- **Moderate working capital management**

Operations of the company have shown moderate working capital management marked by gross current assets (GCA) at 92 days in FY2019 as against 96 days in FY2018. High receivable days stood at 71 days in FY2019 against credit period of 45 to 60 days owing to stretch in collections from corporate customers.

Inventory days stood at 10 days in FY2019 against 7 days in FY2018. Moderate working capital operations and stretch in receivables has led to full utilisation of its bank lines over last six months through October 2019. The current ratio of PTPL is average at about 1.23 times as of March 31, 2019. Acuité believes that the working capital management is expected to remain moderate on account of stretch in debtors coupled with full utilisation of its bank lines.

- **Moderate financial risk profile**

Financial risk profile of the company is moderate marked by high gearing, total outside liabilities to total net worth (TOL/TNW) as well as moderate debt protection metrics. Gearing and TOL/TNW stood high at 2.73 and 3.17 times as on 31 March, 2019 respectively; deteriorated from 2.58 and 3.01 times as on 31 March, 2018 respectively. Net worth is moderate at Rs.77.43 crore as on 31 March, 2019 as against Rs.68.29 crore as on 31 March, 2018; owing to accretion in reserves. Of the total debt of Rs.211.37 crore as on 31 March, 2019, long term debt constitutes Rs.139.24 crore, short term debt constitutes Rs.44.17 crore and unsecured loans from promoters of Rs.0.95 crore. The company incurs moderate capital expenditure of about Rs.10.00-20.00 crore every year with respect to addition of vehicles and repairs and its maintenance. The same is generally funded by term loans or internal accruals.

Debt protection metrics of interest coverage ratio and net cash accruals to total debt (NCA/TD) stood moderate at 2.89 times and 0.19 times respectively in FY2019. The company reported cash accruals of Rs.40.01 crore for FY2019. Further, repayment obligations are expected to be in the range of Rs.27.00 to Rs.30.00 crore against annual cash accruals of about Rs.40.00 to Rs.50.00 crore. Acuité believes that the financial risk profile is expected to improve but remain moderate on account of moderate net worth and debt-funded capital expenditure.

- **Geographic concentration risk and fragmented industry**

The operations of PTPL are concentrated in Tamil Nadu and it operates in a highly fragmented industry with limited entry barriers wherein the presence of a large number of organised and unorganised players in the sector limits the bargaining power with customers.

Rating Sensitivities

- Improvement in the revenues while balancing the receivable cycle.
- Longer than expected capital expenditure leading to deterioration in the liquidity and financial risk profile

Material Covenants

None

Liquidity Position: Stretched

Liquidity position of PTPL is stretched marked by fully utilized bank lines through six months ending October 2019. The same is on account of delays in debtor realization from employee commute segment. Further, the liquidity is also impacted by continuous capital expenditure y-o-y in addition of vehicles from last three years ending FY2019. The Company reported cash accruals of Rs.40.01 crore against repayment obligations of Rs.27 crore. Further, cash accruals are expected to remain in the same range of Rs.40.00 to Rs.50.00 crore against repayment obligations of Rs.27.00 to Rs.30.00 crore. The current ratio of PTPL stood at 1.23 times as on 31 March, 2019.

Outlook: Stable

Acuité believes SEPL's business risk profile will remain 'Stable' over the medium term from the extensive experience of the promoters. The outlook may be revised to 'Positive' in case of significant improvement in the revenues while balancing the receivable cycle. Conversely, the outlook may be revised to 'Negative' in case of further stretch in its working capital cycle or longer than expected capital expenditure leading to decline in its financial risk profile and liquidity.

About the Rated Entity - Key financials

	Unit	FY19 (Actual)	FY18 (Actual)	FY17 (Actual)
Operating Income	Rs. Cr.	384.00	335.98	312.91
EBITDA	Rs. Cr.	68.23	54.63	48.10
PAT	Rs. Cr.	9.04	8.57	12.48
EBITDA Margin	(%)	17.77	16.26	15.37
PAT Margin	(%)	2.35	2.55	3.99
ROCE	(%)	13.56	14.09	17.48

Total Debt/Tangible Net Worth	Times	2.73	2.58	2.54
PBDIT/Interest	Times	2.89	2.97	2.91
Total Debt/PBDIT	Times	3.04	3.17	2.98
Gross Current Assets (Days)	Days	92	96	91

Status of non-cooperation with previous CRA (if applicable)

None

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-53.htm>
- Entities in service sector- <https://www.acuite.in/view-rating-criteria-50.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/criteria-complexity-levels.htm>

Rating History (Up to last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr)	Ratings/Outlook
31-Dec-2018	Term Loans	Long Term	17.52	ACUITE BBB-/Stable (Reaffirmed)
	Overdraft	Long Term	44.00	ACUITE BBB-/Stable (Assigned)
	Cash Credit	Long Term	31.00	ACUITE BBB-/Stable (Withdrawn)
	Term Loans	Long Term	10.73	ACUITE BBB-/Stable (Withdrawn)
	Proposed Bank Facility	Long Term	6.00	ACUITE BBB-/Stable (Withdrawn)
	Term Loans	Long Term	25.57	ACUITE BBB-/Stable (Reaffirmed)
	Term Loans	Long Term	9.78	ACUITE BBB-/Stable (Reaffirmed)
	Term Loans	Long Term	3.13	ACUITE BBB-/Stable (Reaffirmed)
13-Oct-2017	Proposed Long Term Loan	Long Term	6.00	ACUITE BBB-/Stable (Assigned)
	Cash Credit	Long Term	31.00	ACUITE BBB-/Stable (Assigned)
	Term Loans	Long Term	2.99	ACUITE BBB-/Stable (Assigned)
	Term Loans	Long Term	1.61	ACUITE BBB-/Stable (Assigned)
	Term Loans	Long Term	6.13	ACUITE BBB-/Stable (Assigned)
	Term Loans	Long Term	18.52	ACUITE BBB-/Stable (Assigned)
	Term Loans	Long Term	5.50	ACUITE BBB-/Stable (Assigned)

	Term Loans	Long Term	12.54	ACUITE BBB-/Stable (Assigned)
	Term Loans	Long Term	11.22	ACUITE BBB-/Stable (Assigned)
	Term Loans	Long Term	4.49	ACUITE BBB-/Stable (Assigned)

***Annexure – Details of instruments rated**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Term Loans	Not Applicable	Not Applicable	Not Applicable	17.52	ACUITE BB/Stable (Downgraded)
Overdraft	Not Applicable	Not Applicable	Not Applicable	44.00	ACUITE BB/Stable (Downgraded)
Term Loans	Not Applicable	Not Applicable	Not Applicable	25.57	ACUITE BB/Stable (Downgraded)
Term Loans	Not Applicable	Not Applicable	Not Applicable	9.78	ACUITE BB/Stable (Downgraded)
Term Loans	Not Applicable	Not Applicable	Not Applicable	3.13	ACUITE BB/Stable (Downgraded)

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About Acuité Ratings & Research:

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